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The Meaning of Business

—OR—

The Science of Service

By T...
FEB 23 1918

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of New York

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M.G. Dec. 20, 1917.

THE ESSAY BEGINS ON PAGE 9

Economics, or Political Economy, is viewed generally as a dull and ponderous subject, except by Professors. The reason doubtless is, that some Political Economists seem to have the notion that they are writing always to other Political Economists, and thus sacrifice simplicity and clearness for "scientific analyses."

Political Economy is a very simple exposition of Successful or Scientific Service, following causes to their effects upon the pursuit of wealth.

As efficiency of service is the measure of success, and as this Essay on the Meaning of Business, or The Science of Service, tells so simply what efficiency is, we publish it for complimentary distribution.

It was written by a man of rare attainments, who has had an unusually successful career.

We feel confident you will find pleasure and profit in reading it. Additional copies may be had, upon request, although only a limited supply has been printed.

THE AMERICAN CREDIT-INDEMNITY CO.
Of New York - - - E. M. TREAT, President

CREDIT INSURANCE

HOME OFFICE - - - - ST. LOUIS, MO.

1918

People must have sense enough to understand what they do and why they do it.

The man who understands that he must serve in order to thrive will know what to do and what not to do.

To do an unuseful thing is to fail; to do a useful thing is to thrive.

Do what the community needs to have done.

A man makes what he sells and buys what he needs. The wise thing to do is to make, in abundance, what people need.

No man can help himself without helping others.

Business is a profitable beneficence.

CREDIT INSURANCE.

ITS SERVICE TO BUSINESS.

THE object of the writer of this pamphlet was to show that men thrive by mutual service and not by mutual spoliation. He justifies the prosperity of those engaged in making or distributing goods by showing the contribution of each to the general welfare. The American Credit-Indemnity Company accepts the challenge conveyed by his argument and offers for the consideration of business men the following vindication of its usefulness.

The problems of business are numerous and perplexing. The seller and buyer seldom stand face to face. The seller must rely in marketing his goods upon capital and credit ratings which in the nature of things cannot be so accurate as to preclude mistakes. The unexpected is always happening. A buyer may be prosperous today and bankrupt tomorrow; and however efficient a credit department may be, losses on sales are inevitable. The aggregate liabilities of firms which have become bankrupt in a single decade in the United States have amounted to about two billion three hundred million dollars.

Failures are due to all sorts of causes: to inexperience, insufficient capital, over-buying, false credit, speculation, fraud, a violent fall in prices, seasonal changes, crop failures, neglect of business, extravagance, competition, endorsing for others, or a commercial crisis; and any shocking disaster of any sort, or any sudden derangement of commercial affairs from any cause may arrest a tide of prosperity. Mortality in business is constant, if variable. The percentage of failures among those engaged in

business is greater than the mortality among men. No man is wise enough to guard against all the risks which he must assume.

Because a merchant must assume these risks, the American Credit-Indemnity Company was organized for his protection. The company affords indemnity for all losses incurred on goods sold within the period covered by its bond in excess of those which are normal and expected, and thereby gives to mercantile affairs a stability and security which otherwise they must lack.

It does more. It helps the merchant to sell goods wisely, by telling him where he is likely to lose and where he is relatively safe. It helps to reduce his normal loss; it helps his credit department; it assists with past-due accounts; it obviates friction between him and his delinquent customers; and it affords to him a mass of information which he will find of great use in his business.

If you ask how it does these things, it replies that its records cover a period of twenty-five years and contain not the experience of one merchant engaged in one business, but the experience of many thousands of merchants engaged in all sorts of business in every part of the country. The claims filed with it growing out of unpaid accounts since its business was established now aggregate more than two billions of dollars. It has sifted these records and from them derived useful information with respect to the causes of various failures at various times under various circumstances. From them it has derived experience tables which show the actual risks in selling, what the average loss is on credit ratings A, B, and all others. The premiums of the company are adjusted to these risks, and by the emphasis of the charge upon each, we warn against the greater risks. We help the credit department to under-

stand what to do, by showing the merchant where his losses occur; and we help all business by compelling it to be more prudent where prudence is requisite. We mitigate the friction which results from an attempt to enforce the collection of an overdue account by intervening between the merchant and his customer; and we reduce the merchant's normal loss by collecting in time—not after but before failure.

We carry into business a promise of indemnity against the unexpected, and thereby afford comfort and serenity and security at a cost which is far less than the benefit conferred and far less than the losses avoided. We perform in fact for commerce the same sort of service that military discipline does for young men. The average mortality among men between twenty-one and thirty-one is eight thousand in a million each year; in the army it is expected to be within four to six thousand in a million. The average business mortality is about ten thousand in each million; among those who comply with the terms and instructions of our policy it will be reduced in the same proportion.

We have a collection department operated under the provisions of the policy, which provides that past due covered accounts shall be delivered to us for collection within a stated time; and we agree that the filing of such accounts shall have the effect of proving them against our liability under our bond. We instantly proceed to collect these accounts as soon as possible, and before the embarrassment of the customer has become too serious to be coped with; and in this manner we protect the seller against loss and ourselves against liability. In a single year we have so collected many thousands of dollars which our policy-holders were unable to collect. We have saved them

that much and at the same time helped their customers to be prompt and understand the sanctity and binding effect of a promise.

These services we offer in return for a charge which is less than their value and less than we save for the man who pays it.

Our business is also serving, and our serving is not capricious and unintelligent, but a scientific service based upon reliable and very numerous data which are constantly sifted for information and suggestion. Our resources show our strength and our policies show the service from which those resources are derived.

We do a general good and a special good. We are gradually teaching buyers to be prompt in payment and we are attempting at the same time to show sellers what is prudent and what is imprudent selling.

Business, as the writer of the pamphlet shows, concerns itself with the making and distribution of goods. We furnish a very important aid to distribution: we prevent waste; we indemnify against loss; we diminish loss;—and because we help both producer and consumer of goods, we share with the business man in the fruits of his beneficence. We diminish the cost of distribution.

The American Credit-Indemnity Co.
of New York

By E. M. TREAT, President

The Meaning of Business

— OR —

The Science of Service

THE peace and good will of society depend upon tradition, and that tradition upon experience; but the connection between tradition and experience is not always evident. We perceive the value of marriage, but cannot always vindicate it; we feel the need for a State, but cannot justify its encroachments; we tolerate manners and institutions not because we understand and approve them but because we are accustomed to them.

Among the institutions of society, none is more frequently attacked and none is harder to defend, than private property. We think it is indispensable but we cannot explain why. We have no answer ready for him who questions the justice of an uneven distribution of wealth; we cannot tell why this man should be rich and that man poor, nor even explain how one man can become rich save at the cost of his neighbors. When we speak of wealth, or taxes, or capital, or wages, or profit, we use the words in a vague sense and no two men mean the same thing. Yet we should agree with respect to these things. They are right or wrong, good or bad. If they are good, they should be so clearly justified as to convince those who are perplexed; if they are wrong, they should be got rid of. Civilization today rests upon private property. Men co-operate to produce it. Some men have more, some less. Why?

Political economy concerns itself with such problems. For some reason, difficult to discover, it has fallen into disrepute. Men say witty things of it, as that it is a dismal science and the gospel of selfishness; and few attend to its instruction. Yet it has occupied the thought and time of many very able men. Its doctrine is simple and intelligible: it deals with familiar facts; and what it says is interesting and helpful. I have tried to understand why so useful an instruction is disregarded and have been led to believe that the busy man has no time to give to the refined and discriminating thinking of one whom he deems theoretical and sophistical. Each has a peculiar vision and a special experience; and neither can quite understand the other. In common parlance, every word is freighted with experience and that experience is shared by those who use it. The political economist begins by inventing new words or twisting old ones into a strange significance in order that he may express and fix a notion which is peculiar to himself. We are too impatient for such instruction. It occurred to me that I might extract from the literature of political economy certain of its salient and most useful doctrines and translate them into language which should be intelligible to every man; and this essay is the result of that consideration.

At the outset I must say a few words in explanation of the objects and pretensions of the science. It is not and does not pretend to be a moral science. It does not teach dut y nor inculcate philanthropy, nor concern itself with the benevolent and most worthy motives of private conduct. It is concerned with business only, with that which men do in order that they may live; with the production of wealth and its distribution. It observes, analyzes and explains. It assumes nothing. It deals with known and

familiar facts. If it offers an explanation of those facts, it offers one which is consistent with all of them, and attempts to show their mutual relationship and influence. Its value is found in the broadness of its view. It considers not one fact only, but every related fact: effect as well as cause, cause as well as effect; use and function, purpose and consequence; exception and rule. What then are the facts with which it is concerned?

This is a busy world. Men move to and fro incessantly, each intent on his own affairs. A vast majority of them work continually. They differ in character and capacity, and perform various labors. Somehow, they have divided themselves into groups: we have farmers and millers, miners and blacksmiths, tanners and shoemakers, merchants and carriers, bankers and brokers, each of whom does some special work. No one seems to work for himself, but everybody for somebody else. What one makes he sells; what he needs he buys. All are engaged either in the production or distribution of wealth, and the labor of all is a co-operative labor. Each depends upon the other: the maker upon the consumer, the seller upon the buyer, the borrower on the lender. The product of a joint or co-operative labor is distributed in a conventional way to each in accordance with some rule or practice which has grown up among us: one receiving wages, another profits and another interest. Trade is everywhere. We have established markets and exchanges where we get what we need and dispose of what we have. In some manner the right articles are brought forward in the right quantities, and no need of a luxurious people remains unsatisfied. There is work for everybody willing to work. The prosperity of one man does not seem to diminish the goods of another. Poor people are continually forging to

the front. Riches are soon dissipated. We co-operate not because we must but because we choose to do so: yet by his work the individual seeks not another's good but his own. Everybody seems selfish in the sense that his motive is selfish. If he serves, he serves for pay; if he sells, he sells for profit. These are the facts which confront us: the selfishness of mankind; the spontaneous division of labor; the co-operative character of all industry; the mutual dependence of men; the unequal distribution of wealth; and with these facts political economy is concerned. What is its explanation?

Assuming, as it must, that all men are selfish, and allowing the operation of this motive free play, how has it served to bring about the co-operative organization of industry which we now observe? Men are selfish and free: what influence has bound them to mutual service?

Let us begin at the beginning and endeavor to trace the evolution of industry. Society as we know it is rather a growth than a creation. Our ancestors were barbarians who moved about in search of food until they were compelled to settle by stress of circumstances. They had neither social, political nor industrial organization of any sort. Game and fruits were abundant, and every man by slight exertion might have enough. War was their serious occupation. When however, population increased in this or that favorable locality, a change was inevitable. The hunter became the herder, the gatherer of wild fruits the cultivator of the soil; and after a time settlements were formed which prospered or languished according to the habits of the people and the resources of the country they inhabited. If they thrived, others envied them and disorder ensued which compelled the adoption of means of defense. So places of refuge were established and in the course of

time these places became walled towns, or castles. Men were forced into closer union and mutual dependence by constant stress from without; and to meet these new conditions industry had to be modified. The dweller in a town was unable to produce his food and was therefore compelled to earn it in some other manner. Observing the needs of the country-man, he set himself to making tools, or weaving cloth, or dressing leather; and these products he exchanged for what he wanted. In a little while the advantages of a divided labor became evident. Better clothing and better leather were the results of acquired skill, and the farmer, being relieved from the trouble of making these things, produced more grain. Communities therefore thrived and increased in power, and order was extended farther and farther. Little states and communities began to trade with each other, each availing itself of its own resources and devoting its energies to the work it could do best. The South traded with the North, the East with the West, and the argosies of commerce encircled the known world.

In the light of history it is evident that selfish men began and continued to co-operate because they found co-operation to be advantageous to themselves. They got more for themselves by producing goods for others than they could get by working for themselves only. Let us understand this result clearly. Its explanation is simple.

No man can be good at all trades. Practice makes perfect. The skilled workman can produce more in a given time than the unskilled. If a man can make a hat and a pair of shoes in one day, he will be enabled by the practice of one or other trade to make three hats or three pairs of shoes in the same time. Where therefore A makes shoes only and B hats only, the daily product of their divided

labor should be three pairs of shoes and three hats as against two pairs of shoes and two hats. By exchanging a hat for a pair of shoes each will have what he needs and a hat or a pair of shoes besides, which he may use to gratify other wants. Specialization without trade is fruitless; with trade it is beneficial precisely in proportion to the increased product resulting from a divided industry.

Selfishness pushed men into co-operation. Its influence was inexorable. Men seemed free but they were not so. Formerly they were compelled to do what seemed advantageous to their masters; some were forced to fight and some to furnish food. The Romans assumed that the state could not safely leave to every man the choice of his occupation, and therefore compelled each to follow the trade of his ancestor. A blacksmith's son was bound to be a blacksmith. By the law of England, men were serfs or villeins or artisans according to the accident of birth. In the cities guilds were established and exclusive privileges were conferred upon them in order to encourage crafts deemed useful to the state. Slowly and unconsciously in the course of a long period of time, as the result rather of the stress than the instruction of experience, we were forced away from slavery into the system which now prevails. Today men are constrained by economic laws. We allow them freedom because we no longer fear it. Try as they may, they cannot thrive save by co-operating with their fellows. Meaning to work for themselves alone, they must work for others.

The evolution of a co-operative industry is inevitable. Society is as selfish as the individuals who compose it. It will not let any man thrive who will not serve. It depends upon labor for all that it needs, and therefore encourages efficient labor and discourages inefficient. Where

two are engaged in the same business and one can produce easily and cheaply and the other with difficulty and at great cost, the former is more useful to the community: he can sell for less. So it encourages him, and discourages the other, by buying from him. If it were not for this correction, industry would fall into decay. The cost of goods must be less than the price paid for them in order that a selfish man may be induced to make them; but the goods must be worth to the community more than the cost of making, in order that its resources may not be wasted. He who spends ten dollars in making goods worth eight, has wasted two dollars and hurt both himself and others. He has in fact become a consumer rather than a producer of goods. Competition and the selfishness of the community prevent this waste by continually operating against inefficient labor.

Trade, which distributes goods, is guided by like influences. Money does not obviate all the inconveniences of trade, for notwithstanding its use the producer and consumer must still be brought together. The merchant is the marketer of goods: he knows where they are cheap and where dear, where abundant and where scarce. The more diversified industry is, the greater the need of trade. New England is a manufacturing community; Kansas raises corn. A merchant transports grain to the manufacturer and shoes and clothing to the farmer; and in order to do so profitably must be familiar with the needs of each locality. His success depends upon his intelligence. If he carries dear goods to a cheap market, he does no good to the community and its punishment is relentless. Where several engage in the same trade, he who offers goods at the lowest price is preferred to him who charges more; and so by its discriminating buying society compels effi-

cient service and brings about an advantageous distribution of goods. Trade like production is regulated by the law of supply and demand and controlled by competition; and all of those engaged in it must render a needed service at least cost in order to thrive.

So men choose their own occupations, manufacturing or trade as they prefer, but their prosperity depends always upon the need for and efficiency of their service. Competition is incessant, and under its constant stress every man is forced to do what he can do best.

Such in brief, is the origin and evolution of our present plan for distributing the work of the world and rewarding industry. It is by no means a perfect plan, since it depends upon the intelligence as well as the selfishness of men and not all men are competent to do all sorts of work. Nevertheless the plan is superior to any that could be devised by the wit of man. It allows opportunity to ability, stimulates industry by rewarding it, induces thrift, and so promotes the welfare of the individual. It tends also to cheap production and just distribution of the right sorts of goods and therefore promotes the welfare of the community. It is not only profitable to the worker and the community, but it is better suited to our free and independent character than those enforced methods of cooperation which were formerly tried. But being free, we must accept the consequences of our own infirmities, and we will be apt to accept them without repining if we remember that the needs of the community are paramount and that we should yield the better job to the better man. If the system does involve an uneven distribution of goods, it is because men vary in intelligence, in zeal and in industry and that rewards are apportioned in such manner as to encourage the best rather than the worst sort

of service. If men suffer under it, their afflictions are the result of their own demerits and are imposed not by any tyrant but by a universal law which is benign, corrective and indispensable. There is no captain of industry with arbitrary power. The employer is an humble servant of society, forced to do its will and promote its prosperity by compelling influences which cannot be evaded; and so is the employe. By these laws, private selfishness is compelled always to be subservient to the general good.

The effects of such a free plan upon the prosperity of those engaged in industry can be inferred from what has been said. Yet as a particular explanation of a special fact is apt to be more instructive than a general explanation of many, it is proper that I should discuss wages, profit and interest, and endeavor to show how the products of a particular co-operative industry are distributed among those engaged in it.

The laborer is free to choose his job, but cannot fix his compensation. What law or influence fixes his wages? Is it an error to assume that the employer cannot arbitrarily pay what he chooses; is the theoretical freedom which I have described a myth and must one man obey and another govern and reward according to his caprice? These questions lie at the root of the dissatisfaction which has induced the formation of unions. They should be clearly answered.

The factors of wealth are the workman, the director or employer, and the machine which may for convenience's sake be called capital. That their united prosperity depends primarily upon the results of their co-operation, upon the amount of wealth produced by it, ought to be evident. If a hundred men live upon an inaccessible island and depend upon what they produce for existence, their

prosperity must depend upon what and how much they produce. If they produce little, they will have little; if the common stock is great, they will have more collectively. How the stock should be distributed is a question by itself; but unless enough is produced there will not be enough to go round, however the distribution may be effected. Wages cannot be high, however they may be fixed, if the wealth or fund out of which they must be paid is small.

The laborer therefore is as much concerned as the employer in promoting by every means within his control the efficiency of the industry in which he is engaged. Such efficiency depends not only on himself but upon the intelligence of the employer and upon the capital resources which he can command. The employer must study the markets and ascertain what the community needs, how much the goods cost and what he can sell them for. The capitalist provides the tools and machinery, the raw material and the wages which must be paid during the making and distribution. Each factor is indispensable and helpful. So far as the actual production is concerned, capital is more influential than either of the others. Without a machine a man can make so much; with it he can make five times as much. Quantity is of first importance.

How, in the light of these considerations, should the fruits of the joint enterprise be distributed? Justice requires that each factor should be paid in proportion to its contribution to the result. The distribution of goods is roughly accomplished under the free and spontaneous plan which is now established. Its actual operation is controlled by what is called the law of supply and demand, but back of that law is a subtle and abiding principle which I shall presently explain.

Wages, profit and interest depend then primarily upon the abundant production of the right articles. To produce little or to produce the wrong articles is to impair at once the prosperity of the community, the workman, the employer and the capitalist. Every one has observed that men seem to be prosperous and depressed at the same time: the factories are busy when trade is brisk, and trade is brisk when wages and profits are high.

Wages, profits and interest are therefore earned and paid by the industry, and except they be so earned they cannot be paid. Assuming that all are earned, what controls the relative part of each? Laborers think the employer pays and fixes wages; and the employer thinks the labor union fixes them. The truth is that neither can control. Where a man can get five dollars a day he will not work for three, and where an employer cannot make a profit at the wages demanded he will stop his enterprise. Neither controls the other, each is subject to the same compelling influence. Neither can make more than he earns, nor less. However benevolent the employer may be, he cannot raise wages above those earned. If he tries to pay high wages without some compensating service, he must charge high prices, and these the community will not tolerate where the goods may be bought for less. Neither can the employer pay less than the general rate, for he cannot compel free men to accept less than they are worth and can get elsewhere. The case of the "sweater" is peculiar. Each year many ignorant foreigners land at the port of New York who know nothing of our language and industrial conditions. They must work in order to live, and they offer their services in competition with each other to the special trades for which they are fit, such as sewing and garment making. They are in fact never free

and afford not a refutation of the law under consideration but an example of the pathetic condition of the incompetent. Those crafts which require the highest skill are best paid. A few years ago an automobile manufacturer tried a significant experiment which seemed to show that the employer might pay such wages as he desired. He announced that he would pay not less than five dollars a day. His subsequent success was due however not to his benevolence but to the character of the special workmen whom he enlisted in his service. The wages offered were so high that he was free to choose the best, and he rigorously exacted of them one condition, namely, that each must earn his wages. He could not have so increased the wages of incompetent men. He increased the efficiency of his factory by stimulating the zeal of selected mechanics and by means of their co-operation realized a greater output at less cost than ever before in a like industry. His men earned their wages.

Let me assume what we so rarely observe: that an employer is excellently wise, that he knows trade and his business, that his credit is good because deserved, that he is emancipated from all injurious restraints, that he is surrounded by skillful workmen eager to assist, and commands the best machinery known to the craft. What must be the consequences? Will not the goods produced by such zealous and intelligent co-operation fulfill all the conditions of success as we have outlined them: quantity, the right sort, cheapness? Will not such an enterprise, so conducted, drive to the wall all competitors who lack similar advantages, or force them to equal efficiency? Will not such competition tend to the welfare of the whole community, and ultimately realize for everybody engaged in industry a corresponding advantage in the abundance

and cheapness of all goods? And will not the laborer get his share in the ease with which he may satisfy his wants? Goods are made for his consumption, and he cannot fail to profit by their abundance and cheapness. By contributing much to the welfare of others, he promotes his own; and so men thrive by mutual service.

Why one man gets more pay than another is of easy solution. The hatter who makes one hat a day is paid less than he who makes two: the man who rakes the fires, less than he who controls the engine. The superior work gets the better wages, and by superior I mean not less uncomfortable but more difficult and more needed or more productive.

The sum of these considerations is this: wages depend upon the product of labor, and that product upon the efficiency of labor and the intelligence of the manager. If you wish to find a prosperous country where high wages are paid, seek that which uses most machines and employs the highest intelligence. America is that country today, not because we have protective laws and labor unions, but in spite of them. We produce more wealth per capita than any nation in the world and therefore have more to distribute.

Profits depend upon like considerations. In order that they may be earned the factory must produce goods at a cost which is less than the market price. The employer must compete with all others in the same business, and his success depends upon his ability, all other things being equal. The risks involved in the enterprise rest on him; he must pay wages and interest whether they are earned or not. In time of prosperity he must accumulate enough for adversity. If his income seems at times great, his losses are sometimes great. His fortune will ever depend

upon his intelligence and resources and be proportionate to his service. He cannot be overpaid nor underpaid, in the long run. If in a special industry he earns too much, others have an inducement to compete with him. If he earns little, he will receive little. If he is unfit for his job, nothing can save him. That on the whole he earns what he gets is evident to everyone who considers the co-operative experiments which are from time to time tried. No industry controlled by a committee of workmen has ever been able to long survive. It cannot compete, lacking the requisite guidance.

Interest is that part of the output of a factory which is paid for the use of the capital employed. The lender as a rule exacts security of some sort, and as his risk is small his reward depends upon the average cost of capital in the money market, or on what is called the supply. The credit of all men is not equal. One deserves more than another, but every borrower is dependent in some degree on the money market, and so is every lender. Interest rates fluctuate from time to time in response to a fluctuating demand. An active trade requires more capital than a dull trade, and earns more. Rates are therefore low when business is dull and high when it is active. They are still higher in time of trial, as when business is perilous and unusual risks are to be confronted. In order to pay interest, the industry must earn it. Interest is governed by the influences which control wages and profit. Capital embarked in an unuseful enterprise cannot earn and cannot pay a return. One capitalist must compete with another, and the results of this competition are felt in the money markets. No one can arbitrarily fix interest rates.

It seems therefore that wages, profit and interest cannot be arbitrarily fixed by anybody. All are controlled by

economic influences which none can disregard. Primarily the welfare of the community depends upon the abundance of goods needed. If everybody is intelligently employed and the right goods are produced abundantly at little cost, the community thrives and everybody in it thrives who will do his part. Wages and profit will be high because the rewards of all industry are abundant and cheap. Interest will be low because capital will be cheap. If on the other hand few goods are produced at great cost in human effort, the community and all comprising it will languish in poverty. There will be few goods, and wages and profits will tend to a minimum while interest will tend to rise. The fruits of a co-operative labor are not distributed arbitrarily but in accordance with a just and useful economic law which secures to each worker a reward which corresponds with his service.

We are now brought face to face with that private property which we set out to consider. It appears from what has been said that wealth is now produced by a divided but co-operative labor, yet that its distribution is unequal. There is a widespread notion that such distribution is unjust because it is unequal. The social unrest which afflicts us results from the conviction that somehow one man has received more and another less than is due to him. That there are rich men and poor men; that the workman receives less than the employer; that some men enjoy large incomes without doing any labor; no one can deny. Do these facts justify the dissatisfaction which is so frequently expressed?

The question involves moral as well as practical considerations. If what seems right results in wrong, it cannot be justified on moral grounds. Private property rests upon tradition. From the beginning it has been

assumed that men have a natural right, that is, an obvious and just claim, to goods produced by their own efforts. If I make a hoe, it is mine by the common opinion of mankind. My ownership can result in injury to none. Is this the case which confronts us? Are men now claiming what belongs to them by natural right; is their participation in the fruits of a co-operative labor proportionate to the actual contribution of each to the production of such goods; is inequality just in the sense that my having more does not result in another's having less; or are some poor because others are rich;—these are the questions which must be answered.

I have endeavored to fully explain the advantages of co-operation and to trace these advantages to the increased efficiency of the specialized or divided labor which now characterizes all industry. Men work for each other because it is more profitable to do so than to work for themselves. By dividing labor they make more goods, and the increment in the output is shared by means of trade. I have altogether failed in this essay if it is not obvious that workers thrive in proportion to their service. If this be true, then the wealth which a man derives from his work, is his own by the common opinion upon which every sort of property must ultimately rest; and he can do what he wishes with it: for we cannot allow him a property in the goods he creates and deny him a property in those which another creates and gives him in exchange for his own.

Reason however has very little to do with our notions of property. If we envy a man of greater ability, it is natural to deny his superiority; if we have less than another by deserving less, we may still question his right to more. The dissatisfied part of the community will ever find an excuse in an accusation. In the present instance however

the accusation is fortified by plausible considerations which even a just man finds it hard to be rid of. We have recently invented an ugly word—"profiteer"—which contains such considerations. Men hate another's profit instinctively because they believe it involves a loss to themselves. No one greets the seller with the cordiality which he shows to the buyer. Nations fear what is called an adverse balance of trade, not because it can be an evil to have an income in excess of an outgo, but because they wish a profit which they assume is to be derived from selling more than they buy. The persistence of this error is so remarkable that it is necessary to understand its origin in order to refute it.

What then is trade; what does it involve; what does it result in? If I exchange a pair of shoes for a hat, I am trading; if I sell a pair of shoes and buy a hat, I am trading. The two transactions are identical: in the former I barter one commodity for another and in the latter I do the same thing by means of a medium of exchange called money. That the trade, however conducted, involves a profit or advantage to both parties, ought to be evident; yet while men admit the mutual profit of barter, they deny that such profit is mutual where goods are bought and sold.

Let us consider the two cases. By a divided labor more hats and more shoes are produced than where both articles are made by one man. Where, as in the case assumed, three hats and three pairs of shoes are made by A and B respectively as against a hat and a pair of shoes which each might have made independently, A may have two hats and one pair of shoes and B two pairs of shoes and one hat by trading a hat for a pair of shoes. If we assume that a hat is worth a pair of shoes, each is better off to the extent of that worth as the result of specialization and trade. To such a trade neither can be

regarded as buyer or seller, for each is both, and both realize the same profit.

Now let us assume that the hatter and shoemaker use money and sell and buy instead of bartering their goods. Each starts with say $5.00 and three articles, and each buys from the other a hat or a pair of shoes for $5.00. After such a trade has been effected, each will have $5.00 and precisely what he would have had if the shoes had been bartered for the hat; in other words, the profit realized by buying and selling is precisely the profit realized from barter.

In the case assumed, hats and shoes are reckoned at equal value. If a hat cost $3.00 and a pair of shoes $4.00, the problem is a little confused, but the result is the same. If each starts with $5.00 and the goods produced by himself, after selling and buying a hat or a pair of shoes the hatter will have two hats, a pair of shoes and $4.00; and the shoemaker will have two pairs of shoes, a hat and $6.00;—or to express the account in dollars only:

Hatter's Account.

Before trading.	Cr.	3 hats costing $3 each =	$9.	
		Cash on hand	5.	
After trading.	Cr.	2 hats costing $3 each =		$6.
		1 pair of shoes at $4.00		4.
		Balance of cash		1.
		Price received for hat		3.
			$14.	$14.

Shoemaker's Account.

Before trading.	Cr. 3 pairs of shoes at $4. =	$12.	
	Cash on hand	5.	
After trading.	Cr. 2 pairs of shoes at $4. =		$8.
	1 hat, costing $3.		3.
	Balance of cash		2.
	Price of shoes		4.
		$17.	$17.

Let us now assume that each values his commodity at $1.00 more than it cost, and sells at that profit.

Hatter's Account.

Before trading.	Cr. 3 hats at $4. =	$12.	
	Cash on hand	5.	
After trading.	Cr. 2 hats at $4. =		$8.
	1 pr. of shoes costing $5.		5.
	Price received for hat		4.
		$17.	$17.

Shoemaker's Account.

Before trading.	Cr. 3 prs. of shoes at $5. =	$15.	
	Cash on hand	5.	
After trading.	Cr. 2 prs. of shoes at $5. =		$10.
	1 hat costing $4. =		4.
	Balance of cash		1.
	Price received for shoes		5.
		$20.	$20.

These examples show that barter itself does not increase nor diminish the wealth of either party in any real sense. In the case last assumed, the shoemaker created a greater

value, measured in money, than the hatter; but after trading each had precisely as much as he started with. They exchanged one sort of goods for another, but the values exchanged were equivalent. Each got what he needed in exchange for what he made; and this is the whole advantage involved in the trade.

The nominal profit as distinguished from such an advantage, which seems to result from trade, is deceptive. In order that this fact may be distinctly understood, let us assume that each of the traders sells the whole of his goods to the other at a profit:

	Hatter's Account.		
Before trading.	Cr. Cash	$15.	
	3 hats cost $3. valued at $4 =	12.	
After trading.	Cr. Cash from 3 hats		$12.
	3 pr. shoes costing $5. =		15.
		$27.	$27.

	Shoemaker's Account.		
Before trading.	Cr. Cash	$15.	
	3 pr. shoes cost $4. valued at $5. =	15.	
After trading.	Cr. Cash from 3 pr. shoes		$15.
	3 hats valued at $4. =		12.
	Cash balance		3.
		$30.	$30.

We are deceived by what seems a profit because the shoemaker and the hatter rarely do business together. Each sells in the open market and buys in the open market. The business of the merchant is to assemble goods in order

that they may be exchanged, and if we assume that the merchant makes nothing out of his service the results of a trade made through him seem to be as follows:

Hatter's Account.

Before selling.	Cr.	Cash on hand	$15.	
		3 hats cost $3 =	9.	
After selling.	Cr.	Cash on hand		$15.
		3 hats sold at $4. =		12.
			$24.	$27.
			Profit $3.	

Shoemaker's Account.

Before selling.	Cr.	Cash on hand	$15.	
		3 pr. shoes cost $4.	12.	
After selling.	Cr.	Cash on hand =		$15.
		3 pr. shoes sold at $5. =		15.
			$27.	$30.
			Profit $3.	

Each therefore seems to have made a profit of $3.00. The transaction however is incomplete, for in the case assumed each buys the other's goods.

Hatter's Account.

Before buying.	Cr.	Cash	$15.	
		Proceeds of 3 hats sold at $4.	12.	
After buying.	Cr.	3 pr. shoes bought at $5.		$15.
		Balance of cash		12.
			$27.	$27.

Shoemaker's Account.

Before buying.	Cr.	Cash	$15.	
		Proceeds 3 pr. shoes at $5.	15.	
After buying.	Cr.	3 hats bought at $4.		$12.
		Balance of cash		18.
			$30.	$30.

It will be observed that as a result of the completed transaction the hatter has lost $3.00 of his cash and the shoemaker has added $3.00 to his. The transaction seems therefore to have been profitable to the shoemaker and unprofitable to the hatter; yet it is quite evident that neither is worse or better off than at the start. The hatter started with $15.00 of cash and 3 hats worth $4 each, or $27.00; he ended with $12 of cash and 3 pairs of shoes worth $15, which equal $27.00. The shoemaker started with $15 of cash and 3 pairs of shoes worth $15; he ended with $18 of cash and 3 hats worth $12, which make $30.00. In other words, the shoemaker started with more than the hatter, and ended with more. The difference between the assumed value of three pairs of shoes and three hats was $3.00, and as the hats and the shoes were exchanged, the hatter paid to the shoemaker $3.00 to settle the difference, but the hatter lost nothing by such exchange; neither did the shoemaker gain anything, except the advantage of getting what he wanted by exchanging one sort of wealth for another. I mean no more than that trade can result in nothing but the substitution of one value for another equal value. The prosperity of every producer of goods depends not upon something derived from another, but upon something produced by himself. As between two hatters, he who produces twice as many hats in a given time as the other, will have twice as many to exchange for

what he needs. His income cannot be greater than his outgo, nor less. Trade does not enrich a producer of goods: he is enriched by his own industry and zeal and intelligence and in proportion as these faculties are employed in production.

Up to this point the problem has been simple. We now reach a new perplexity which must be disposed of. In the case put the shoemaker produced $3. more of what we call value than the hatter. This excess value may be due to either of two causes: the shoemaker may work harder, or he may produce an article for which there is a less supply. In the latter event his greater prosperity seems to be due not to his own industry, but to another's need. Assuming this to be true, is his prosperity unfair, does it involve an injury to the consumer? Obviously not. To make what no man needs is to serve nobody: to add to an abundant supply other articles of the same sort is to render an unneeded service: to supply what is necessary and lacking is to render the best sort of service and to deserve a corresponding reward. The value of every article depends upon the demand for it. If I create a value for which there is a great demand, I create a greater value than he who produces that which is less needed. I do more good than he, and my prosperity represents not another's loss but the good I do him. I am still paid according to my service. It is never true that profits are derived from trade by one man at the expense of another. Each gets what he gives, and gives what he gets; and the word "profiteer" contains in a general sense a general delusion.

I have been discussing barter only, as that sort of selling and buying which results in immediate exchange, in order to show what it involves and what good results from it.

Trade however is never so simple as in the cases assumed. Where labor or industry is minutely divided as at present, one producer of goods rarely deals directly with another. All goods are marketed by intervening instrumentalities which serve not to bring producer and consumer together, but to enable them to exchange goods without such contact. The most important of these instrumentalities is money.

Money is a commodity precisely in the sense that wheat is a commodity, but it differs from every other commodity in one important particular, namely: the owner can exchange money for any commodity whatever; every other commodity is exchangeable for money only. For this reason we first barter what we make for money and then barter the money for what we need. It is obvious that by such mediate barter, which we call selling and buying, we neither add to nor diminish the value of what we give and get. We exchange one value called goods for another equal value called money, and then exchange the money for another equal value in goods of another sort. As however money is apt to confuse commercial transactions, I shall attempt to ignore it wherever possible.

Money does not avoid all the difficulties of trade. The producer of goods must still find some one who needs them. As a rule he is too busy to search out the consumer, and this task is entrusted to one who makes a business of trade. The merchant buys from the producer and sells to the consumer. As his service is a necessary one, he makes what is called a profit by performing it.

Let me assume that the hatter and the shoemaker are unknown to each other and conduct their trading through a merchant. The hatter sells his hats to the merchant, and the merchant sells one hat to the shoemaker, another

to the blacksmith, etc., at a profit. At the same time the shoemaker sells his shoes to the merchant and the merchant sells a pair to the hatter, etc., at a profit. Whence come these profits, who pays them? Does the merchant get rich at the expense of others? His profits are paid by the hatter and the shoemaker in one sense, but they represent a service to each and not an injury. The need of the shoemaker was a hat and the need of the hatter a pair of shoes. Neither was able to get what he wanted without the intervention of another. The merchant is helpful to both and is paid by each because he helps each. Both are better and not worse off as the result of his service.

At this point we are again confronted with a fact to which I have already referred: one merchant makes a greater profit than another. The explanation is identical with that already offered. The merchant who sells in a cheap market, performs a less service than he who sells in a dear market. To transfer goods from a market where they are little needed to one where they are greatly needed is to deserve a corresponding reward, and this reward is proportionate not to the harm but to the good done.

Such is the service rendered by the merchant. What of the banker? Trade cannot be conducted without money, and money is sometimes hard to get. The great merchant rarely has enough of his own to conduct his business. He must therefore borrow from one who has money. The banker is the lender. To induce him to lend, the merchant must pay part of his profit to the banker, and this part is called usury or use money. To the imagination nothing is more odious than usury. What service does the banker perform? What he lends does not belong to him. People who have no use for it deposit money in the bank, and the banker, who cannot use it,

lends to another. Is not his charge unjust; does he not get rich without service; does he contribute anything to the goods of the world; does he distribute them?

These questions also should be answered so clearly as to leave no doubt. Usury has always been hateful. Christ drove the bankers from the temple. For many centuries the Church forbade usury. By the common opinion of man it has been deemed hateful and hurtful. "The usurer is the great Sabbath breaker; his plow goeth on Sunday." The Church was right. During many centuries usury was an unmixed evil. Men in distress borrowed so much, spent it and were then required to pay more. Today however usury is quite a different thing. The borrower gains by the use of money and shares his gain with the lender. The service rendered by the banker is very great. He must safeguard the funds left with him, honor all checks and keep accounts. If he lends trust funds, he lends at his own risk. He must know not only the character of the borrower and his resources, but understand the business he is engaged in. If he lends for an unprofitable enterprise, he will lose his advance. He enables the borrower to do what he would otherwise be unable to do. If I, being a merchant and lacking money, borrow the money, buy goods, move them to a good market and sell them at a profit, I can pay my debt and interest and have something left for myself. The banker by becoming a partner in my service, earns and deserves part of the fruits of that service. He does not hurt me, he helps me; and I in turn help both the producer and consumer of goods by enabling them to exchange what they make for what they need. The maker of goods, the merchant who markets them and the banker who helps the merchant, share alike in the fruits of a divided industry.

In this instance also there is a difference between individuals: one banker makes more than another, but if he does, it is because he renders a better or more needed service. He who lends a merchant money to buy corn in New England for sale in Kansas will not get so rich as he who lends money to buy corn in Kansas for sale in New England. No banker can thrive who does an unuseful thing. If he does or helps to do a useful thing, he earns the fruits of his service, and his profit is derived not from hurting but from helping another.

The uneven distribution of wealth is due to salutary and useful laws. It is necessary for the welfare of society that men should have an inducement to do good and not to do evil: to do that which helps along rather than that which retards progress. That welfare depends upon the plentiful production of the right articles at least cost, and their just distribution. Society helps itself by rewarding men proportionately to the good they do; and as one man does more good than another, it lets him become richer than another. The increase in one man's riches cannot deprive another of the fruits of his own industry. We get rich at the same time. Every man's zeal helps all the others. There is no limit to the amount of wealth that can be produced. What one produces, he gets. The prosperity of one cannot diminish the goods of another.

The accumulation of wealth by individuals is indispensable to the community. Accumulated or unconsumed wealth is capital, and capital, as I have already explained, is most necessary to industry. It affords the tools to work with, the machinery, the factory, the raw material and wages pending the completion and sale of goods. It does vastly more good than it earns in the way of interest. If I lend a reaper to a farmer, charging for its use, I save

him an immense amount of labor and increase his profit on his crop. If I lend a machine to a workman, I increase his output five or tenfold and receive but a small part of such increase for my help.

The appropriation of capital by individuals cannot tend to cripple industry, for it is worth nothing to the capitalist unless he employs it for the general good. If there are many capitalists, and capital is abundant, one must compete with another in his charges, and business always goes to him who will lend for least. The right use of capital requires very high intelligence: that sort of intelligence which is requisite for a banker. To put capital into a foolish enterprise is to hurt at once the capitalist and the community. It cannot be accumulated without service nor preserved without service. The man who hoards money is called a miser. He is miserable because he serves neither himself nor others. An incompetent man who employs it cannot retain it. It is a maxim of experience that there are but three generations between shirt-sleeves and shirt-sleeves.

Private property cannot therefore of itself be an evil. It enables the possessor to live in comfort and confidence and injures no man—unless its possession gives one man an unfair advantage over his fellows in that relentless competition which I have described. Without capital labor lacks two-thirds of its capacity. A man with a machine can outstrip it in the race. Have we destroyed the equal opportunity to which we should at least aspire, by permitting one man to own the earth and appropriate all its fruits? How can the newcomer live: what is left for him?

A ready answer to this question may be found in what everybody observes: the man with property is continually

losing it and the man who lacks it is ever acquiring it. The country boy who abandons the farm and comes to the city thrives because he finds there better opportunities.

The economic answer rests upon the principle that neither personal nor real property can be profitable to the owner unless it be made of service to the community. We sow crops to sell and thereby feed the community. Property is like labor in the respect that it is the servant and not the master of society. The man who owns it, willing or not, must use all that part which is not necessary for his own need for the good of others. Morever, property is not more necessary for labor than labor is for property. Each is dependent upon the other and the mastery is with neither.

The fundamental error of socialism lies in the assumption that one man will sow what another may reap. Experience is wiser. We allow private property in land and goods because we know that only in such fashion can they be made available for the general good. The owner who seeks his own welfare must do good to others in order to accomplish his object.

I have entered upon all of these considerations to show that the free and spontaneous organization of industry at which we have arrived after centuries of experiment is upon the whole an excellent and beneficial system; as just to those engaged in it as to those who depend upon it. I have tried to explain why labor became specialized, what results followed, how its increased efficiency enured to the advantage of the laborer and the community, and in what manner those advantages were distributed. I have tried also to prove that the prosperity of every class engaged either in the production or distribution of wealth must be the direct and necessary result of the service it

has performed: to justify private enrichment by the usefulness of capital: and to show that there can never be too little wealth to go round because one man accumulates more than he needs.

I cannot conclude without mentioning the causes of the prevailing discontent which we are apt to overlook. Men assume, why I cannot tell, that wealth consists of money. Nothing could be farther from the truth. The gold of the United States constitutes perhaps one-fiftieth of its wealth. Money is wealth, but it is wealth in the same sense that a hoe is wealth. It is a tool of exchange, a convenient measure, an instrument of trade. It contains a definite and unfluctuating amount of what we call value, with which we measure other values; but wheat and iron and every other commodity also contain value, and they and other commodities constitute ninety-eight per cent of the wealth of the community as against the two per cent contained by money. It is true that if one man locks up money, he will diminish the general stock, as gold cannot be produced as wheat is produced, But it is not true that an increase in one man's general wealth diminishes the wealth of another. Every one is free to produce as much as he can, and what he produces for himself does not affect what another produces for himself.

Our industrial freedom is justified by its utility. We are free, but free only to serve. If we fail to serve we are punished relentlessly; if we serve, we are rewarded. What we save is useful to ourselves and to others. Wealth is unequally divided because all men are not alike. Some know what to do and how to do it and are willing to work. Others are ignorant or incompetent or idle; and each reaps what he sows.

A slavish system would be altogether less profitable to

the individual and to the community. If we say "to each one according to his need and from each according to his power," we make the bad to be tyrant over the good, diminish the product of industry and impair the prosperity of all. What I will not do freely for myself I cannot be compelled to do efficiently for a master.

If we use these general considerations to test the utility of the various expedients which are from time to time tried for the redress of grievances, we shall observe that most of them are not only hurtful to the promoters but to everybody else.

The labor union, while it has many worthy objects, commits a grievous blunder when it attempts to curtail production in order to provide places for more men. Let us assume that a proper output of shoes per day is five pairs: to compel a man to make no more than three is to reduce his wages; for wages, as we have seen, depend upon the amount of wealth produced. Trade adds nothing to the value of such product. Restricted output involves the inversion of the present industrial system. We now divide labor in order that it may produce more. If after dividing it we produce less, the advantages of specialization will be impaired or lost. A restricted production cannot be good for the community unless to lack what we need be a blessing.

The laborer is deceived by the apparent results of restricting output. He observes that more men are required to do the same amount of work and thinks that therefore the laboring class is better off. This delusion is as old as ignorance. The Chinese still cherish it and earn about seven cents a day. Wages are paid in money. If they seem high, men are satisfied. Yet they may seem high and be low. Wages are earned by labor and paid in

the fruits of labor. If labor be efficient and there is much to go round, wages will be high. If we produce little, we can get little. Money wages are always deceptive. To receive $10 a day in money and be able to buy for it but $2 in value, is not to prosper. Cheap goods mean high wages, dear goods low wages. If all labor shall zealously produce as much as possible at least cost, the exchange value of labor measured in goods will be high. If all scamp their jobs and make as little as possible, the exchange value of labor measured in goods will be low, however high the money wages may seem. The common stock of goods being large or small as we make it, so shall we have much or little as we choose. Something can never be got for nothing; more cannot be got out of less, even through the intervention of money.

All efforts to raise wages in disregard of economic law must result in failure. An industry can pay so much and no more. If it earns so much and wages demand the whole, the employer will not work and the capitalist will stop lending. The most effective check upon abnormal wages is that which results from the injury they attempt to inflict upon the community. Earned wages represent a service rendered; unearned wages, a wrong done. No man can compel another to pay what that other cannot afford. If I get for my labor $5.00 a day, I cannot pay another $10.00 a day. Rising prices kill trade, and abnormal wages tend to high prices. A boom always collapses, and wages must ultimately conform to the economic law.

The Union seems unable to understand the mutual dependence of all classes engaged in co-operative industry. The man who makes shoes will not remember that others are engaged in making hats, and that neither can gain an unfair advantage without hurting him on whom his own

prosperity depends. The hatter needs shoes, the shoemaker hats; and each must deal fairly with the other, or not at all. Economic selfishness which seeks the rewards of service is quite a different thing from that disorderly selfishness which attempts spoliation. The Union may secure an immediate advantage, but such advantage will be temporary.

The employer is sometimes as foolish as the laborer. He too tries by restricting output to control prices, or to artificially maintain them by pools and conspiracies; but it is as impossible for him to succeed as for the laborer, and for the same reason. The community which earns so much can pay so much and no more. What is called overproduction deceives us. It does not mean that too many goods have been produced but that the public cannot pay the price demanded. A manufacturer may make too many $5 hats, but he cannot make too many hats while men need them and will pay $2 for them.

The general propensity of every industry and of all engaged in it to regard its welfare as something special and apart from that of others has defeated and perhaps always will defeat the plainest doctrine of political economy and lesson of experience. Laws are still in force which pretend to satisfy this universal craving. They are called ingeniously "protective" laws. They protect A against B and B against A, and both are satisfied.

Perhaps the most interesting manifestation of this delusion is to be found in the opinion of the business world with respect to foreigners and to what is called the balance of international trade. People say the balance is "favorable" when more goods are sent out than are brought in. What nonsense! What is trade? Is it not the exchange of goods for goods? Is the balance "favorable" when more is

given for less? The truth is, the balance must be even: it cannot be either favorable or unfavorable. I do not deny that for a century the United States has sent more goods to England than it has received from England; but is the balance therefore uneven? Certainly not. We have been for a century a debtor nation: we have borrowed England's capital to help our industries. We therefore ship her goods for goods and also goods for the use of her capital. The balance has always been even.

The vague notion back of the words "favorable" and "unfavorable" is an apprehension inherited from our ancestors that if we buy more than we sell we shall lose money. One simple fact should expel this delusion. Notwithstanding that our exports to England have exceeded our imports from England by a great sum during a whole century, England has lost no money by this "adverse" balance: she has, on the contrary, during the whole of that time been the money market of the world. How can this fact be reconciled with the prevailing delusion? England has become and remained rich because her income has been greater than her outgo—not because it has been less. The United States has also been prosperous not because her outgo has been greater than her income, but because the capital borrowed has been employed in industry and we have not only paid for its use but profited by its use.

It is true that under certain circumstances an adverse balance of trade must be corrected by the export of money; but what is money for? If we send it out, it is because we wish something we purchase with it. Does disaster therefore threaten us? No, because as soon as the export of specie tends to deprive a country of a necessary medium of exchange, the value of money for domestic exchange must

rise; that is, its purchasing power in the exporting country must increase, and the direct and necessary result of such advance will be to draw money from abroad. Money goes to its best market as instinctively as wheat or any other commodity, and it is incredible that it shall long be lacking in a commercial country where it will buy most.

One other obsession which works great mischief in the world deserves consideration. The poor man is pleased when heavy taxes are imposed upon the rich; and the whole art of government now consists in predatory taxation. What is a tax; who pays it? It is a toll levied upon industry, and it is paid by labor. Although collected in what is called money, yet the money is immediately spent for goods and the goods so bought are withdrawn from the general stock and consumed by the tax-gatherer. It cannot be advantageous for the poorer members of the community that many goods should be consumed by those who produce nothing. The hive may support so many drones, but it cannot be a blessing to the worker bee to endure such a burden. If we assume that one half of all the wealth produced by everybody is appropriated by the State, is everybody or anybody better or worse off as the result of such spoliation? When we tax, we appropriate goods. Goods must be produced by labor. Who then pays the tax ultimately? It may fall first upon a bank account, but in the end it falls upon the producers of wealth.

Money may or may not be the root of all evil, but it is certainly the root of much bad thinking. From a false notion of its character and function flow many delusions: as that "protection" protects; that trade can have an unfavorable balance; that the seller makes something out of the buyer; or that one man's riches cause another man's

poverty;—and it is hard to be rid of these obsessions. We must remember constantly that industry is divided because a specialized labor is most productive; that the benefits of specialization cannot be realized save by trade; that trade is good for the buyer as well as the seller; that it involves the exchange of goods for goods, or services for services; that what interferes with trade impairs prosperity; that money is a convenient medium for the exchange of goods and nothing more; that what we carry into trade we get out of trade; and that the prosperity of all classes depends upon the industry of all classes and cannot be otherwise realized.

Private property is not the fruit of wrongdoing, but of service and self-denial. Its accumulation hurts no one: it helps every one. It provides comforts and luxuries, which all men should wish to have. It provides also the capital without which industry would be reduced to penury. The hate which it inspires is undeserved.

I fully realize that this brief discussion of a great subject cannot convince the unthoughtful man, but it may be useful to those who seek to understand what is confused. There are bad men in industry, captains whom we may justly call buccaneers, and these I have not discussed. I have confined myself to the normal sort of industry and not to thieving, because the latter is too fugitive and various for discussion. There are degrees of selfishness. That sort which I have treated is the sort which is common to all men, and I have tried to make it respectable by showing the good it does and must do in order that it may prosper.

In conclusion I venture to reiterate the propositions which I have endeavored to establish.

The object of industry is to produce abundantly and cheaply the goods of which society has need.

In the accomplishment of this object each individual may produce all of his own goods, or specialize his labor and produce particular goods to be exchanged for what he needs.

Of these two methods specialization is better because it conduces to skill and efficiency and therefore to greater production.

The organization of industry may be either arbitrary or free; the State may direct labor and distribute goods arbitrarily, or each individual may be permitted to do what he likes and trade where he likes.

The free system is preferable because selfishness is a better spur to industry than altruism; freedom is better than slavery, and private intelligence is more trustworthy than official supervision.

The free system cannot result in injury to anybody, because it is controlled by economic laws which none may disregard. Under it, selfishness can thrive only by doing good. The man who makes in order to sell must make what someone else needs and offer it on satisfactory terms for what he himself needs. The selfishness of all guides corrects and restrains the selfishness of each.

Where industry is divided, it is advantageous to all individuals that all goods should be abundant and not scarce; for the purchasing power of special goods depends upon the abundance of all other goods, that is upon the price which must be paid for them.

Trade, which is indispensable to a divided industry, is beneficial to all engaged in it, although each gets from trade what he carries into it and no more. All share in

the fruits of a divided labor, but none gets any advantage at the cost of the other. Trade should therefore be free.

The worst enemy of society is he who strives to make goods scarce and high or to curtail the markets for them.

Private property is property produced by work and accumulated by self-denial. It is useful to the owner only when employed in aid of industry. It is the source of the capital, or tools, machinery, etc., which are indispensable to industry. Land is given to individuals in order that it may be made productive.

The prosperity of one individual cannot impair the prosperity of another, for a man can become rich only by helping and not by hurting others; and his enrichment cannot diminish their riches.

The free industrial system under which we live is excellent because it tends to the production of much wealth; to the distribution of such wealth to each according to his contribution; to zealous industry; to fair trade; and to mutual service.

Political economy is in reality the science of service.

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